

# Trend Analysis of the FY 2019 and FY 2020 GF/EF Revenue Forecasts

Executive Appropriations Committee

## ISSUE BRIEF

To help ascertain the sustainability of a point-in-time revenue estimate, Utah law requires the Legislative Fiscal Analyst to compare such periodic revenue estimates to long-term revenue trends.<sup>i</sup> Economists from the Legislature, Governor's Office of Management and Budget, and State Tax Commission currently predict that combined General and Education fund revenue for FY 2019 will be \$7,557,852,000 and for FY 2020 will be \$7,909,533,000. The Office of the Legislative Analyst compared these amounts to a fifteen-year revenue trend using a Hodrick-Prescott time-series filter with a  $\lambda$  (lambda) value of twenty-five. As detailed in the following table and shown in the figures on the next page, the point estimate for FY 2019 is almost \$190 million above trend and FY 2020 is nearly \$100 million more than might be sustainable.

Legislative rule directs the Executive Appropriations Committee to consider using such above trend revenue for one-time expenses like debt reduction or acquisition of capital.<sup>ii</sup> In calculating consensus revenue estimates for FY 2020, the Legislative Fiscal Analyst and Governor's Office of Management and Budget recharacterized as "one-time" \$100 million of revenue that otherwise would be considered ongoing. The Legislature appropriated an additional \$110 million ongoing to prison construction in Senate Bill 3001 from the 2018 Third Special Session. That leaves another \$80 million or so in ongoing revenue that the Legislative Fiscal Analyst recommends lawmakers treat as one-time.

*Table 1 Trend and Cycle of November 2018 Consensus Revenue Estimates for the General and Education Fund*

Trend/Cycle of November Consensus (Ths. \$)	FY 19 Trend FY 19 Cycle FY 20 Trend FY 20 Cycle Hodrick-Prescott, Lambda=25			
<b>General Fund (GF)</b>				
Sales and Use Tax	2,095,072	44,414	2,200,559	40,395
Cable/Satellite Excise Tax	30,010	(325)	30,307	(419)
Liquor Profits	119,045	(319)	125,277	(588)
Insurance Premiums	138,440	1,463	148,028	958
Beer, Cigarette, and Tobacco	112,890	(3,409)	110,819	(2,998)
Oil and Gas Severance Tax	25,199	5,013	21,501	11,936
Metal Severance Tax	9,294	1,285	8,792	3,730
Investment Income	26,187	4,208	32,278	4,541
Other	85,937	(1,833)	86,337	(742)
Property and Energy Credit	(5,802)	(122)	(5,809)	(191)
Subtotal General Fund	2,636,272	50,376	2,758,088	56,624
<b>Education Fund (EF)</b>				
Individual Income Tax	4,213,561	84,864	4,496,977	35,306
Corporate Tax	461,892	49,904	497,778	(930)
Mineral Production Withholding	25,947	3,297	27,497	5,305
Escheats & Other	30,858	882	32,310	578
Subtotal Education Fund	4,732,258	138,947	5,054,562	40,259
Subtotal GF/EF	7,368,530	189,322	7,812,650	96,883

Figure 1: General Fund Trend (Dollars in Millions)

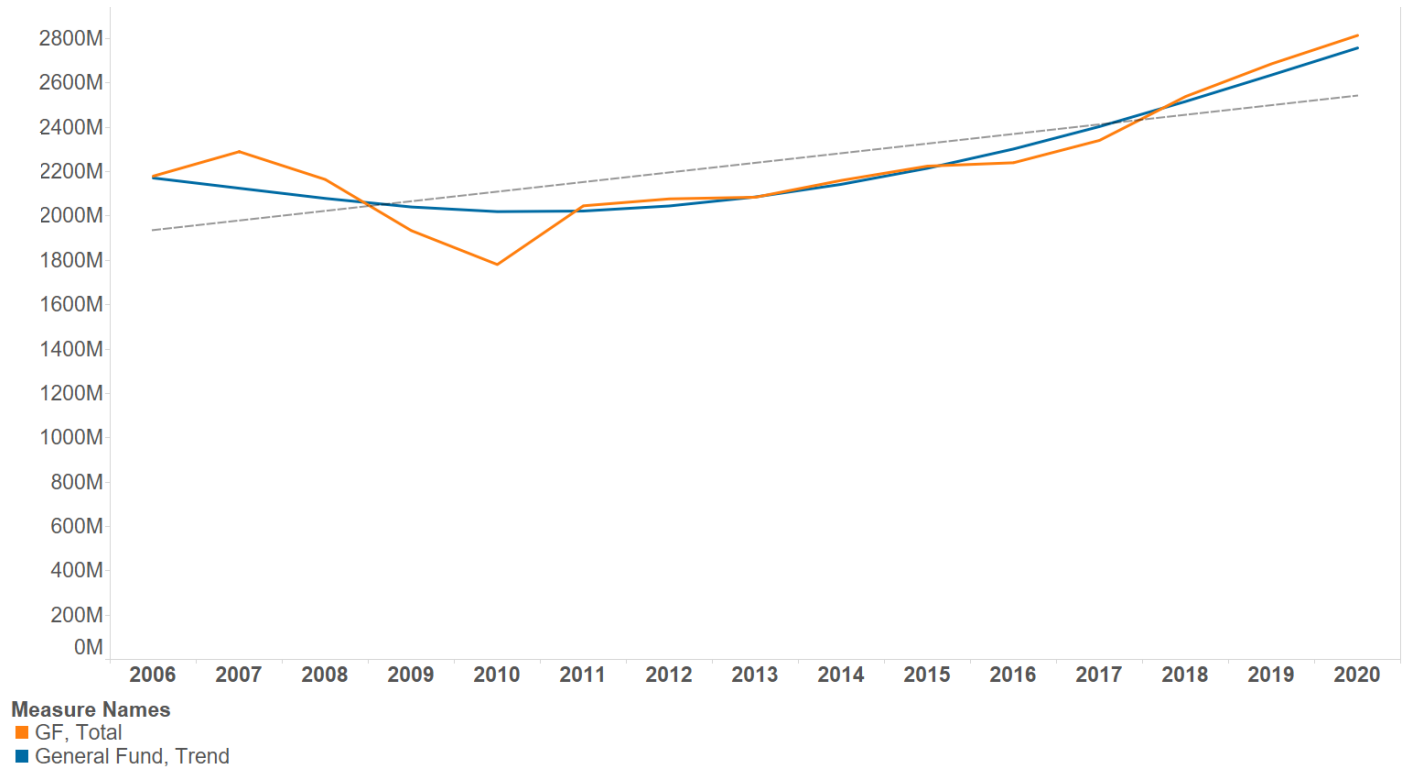
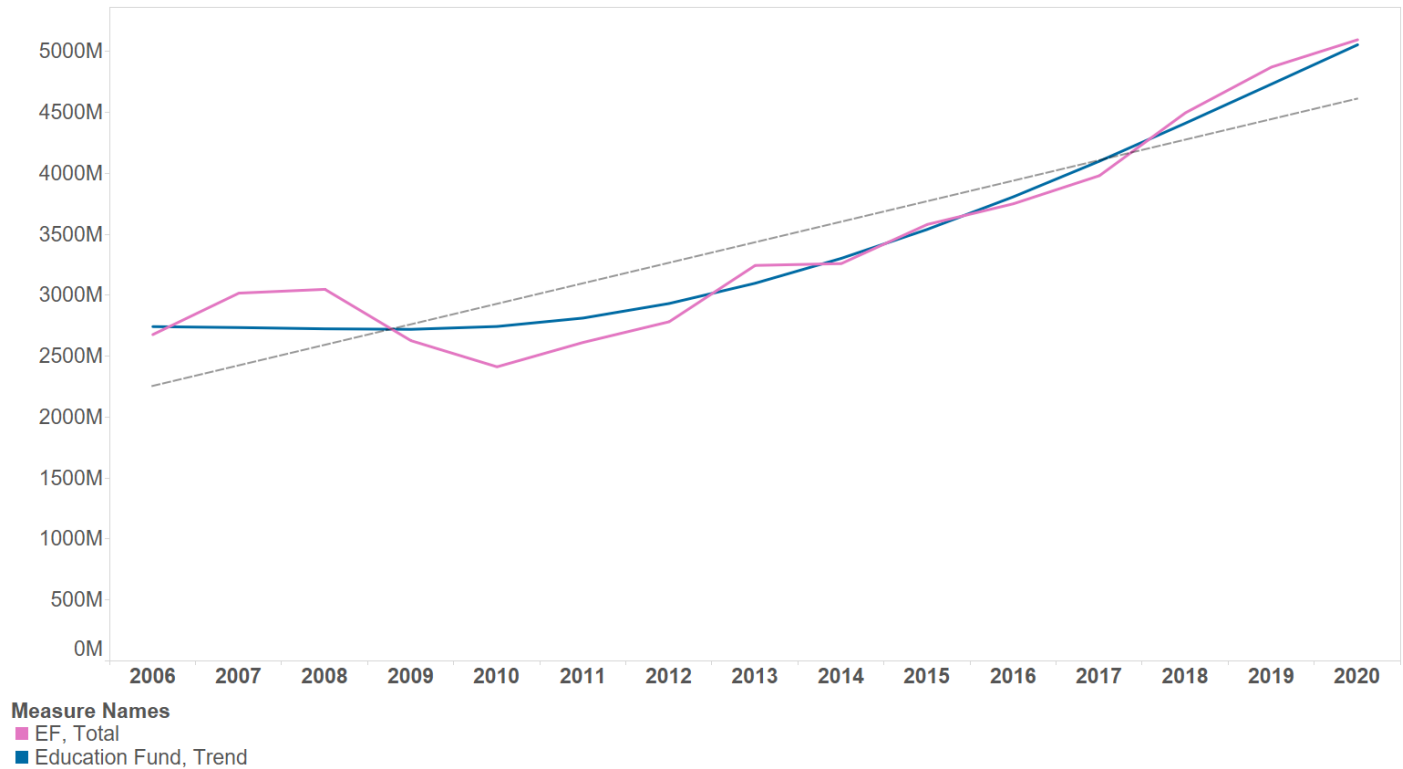


Figure 2: Education Fund Trend (Dollars in Millions)

<sup>i</sup> Utah Code Annotated 36-12-13(2)(a)(i)(A)<sup>ii</sup> Joint Rule 3-2-402(2)(a)(ii)